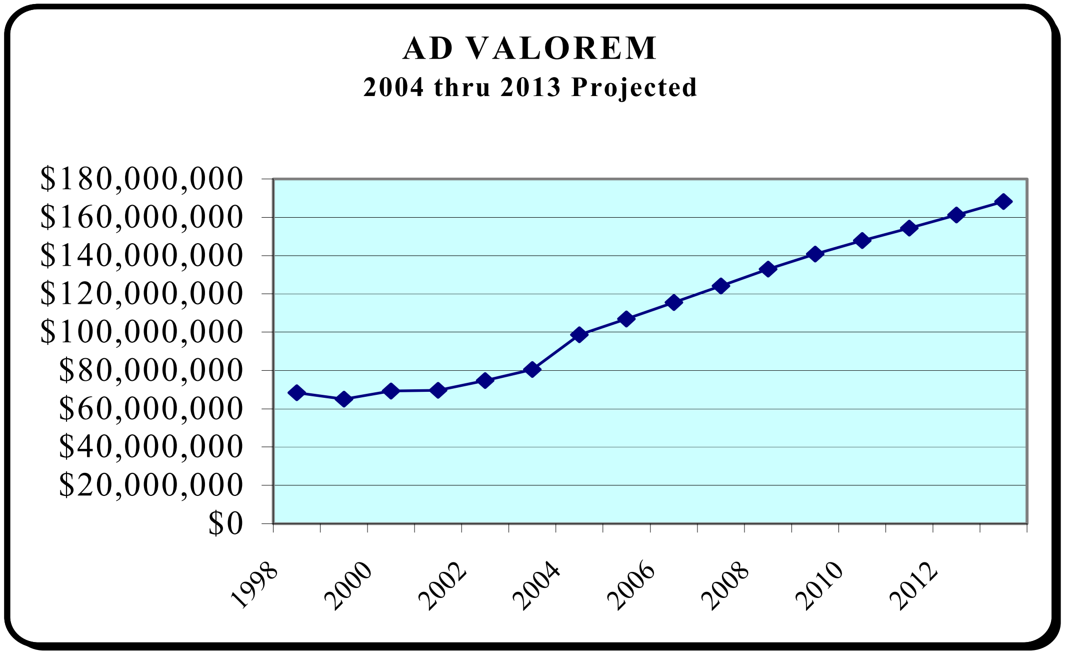
Ad Valorem Taxes

The Ad Valorem Tax is levied against all property within the county and is based on the Taxable Assessed Value. The Tax Collector sends bills to property owners in October with the option of paying a discounted amount if the bill is paid between November and March. State statutes prohibit the county from budgeting more than 95% of the total amount it expects to receive and the Florida Constitution limits the amount of Ad Valorem millage the counties may levy to 10 mills. The current maximum county wide millage for St. Lucie County is 7.9551 mills.



Discussion & Concerns*:* Approximately 51% of the countywide ad valorem revenues the St. Lucie County Board of County Commissioners expects to receive in Fiscal Year 2004 is budgeted in the General Fund while 44% is budgeted in the Fine and Forfeiture fund. The General Fund receives a higher portion than previous years because $11 million in Corrections expenses was transferred from the Fine and Forfeiture Fund.

Ad Valorem revenues continue to show a positive trend averaging 4.1% increase per year since 1993. This compares to countywide millage rates that have remained level over the same time period and indicates property values within the county are increasing. This increase is partly attributed to the increased emphasis the Board has placed on economic development which continues to attract new businesses. Another factor contributing to the increase in property values is the fact that the population within the county is growing and residents are demanding larger, higher quality homes. St. Lucie West, The Reserve, PGA and developments along the St. James corridor are having a positive impact on the average value of homes within the county. We expect this trend to continue with the addition of the Tradition, Tesoro and

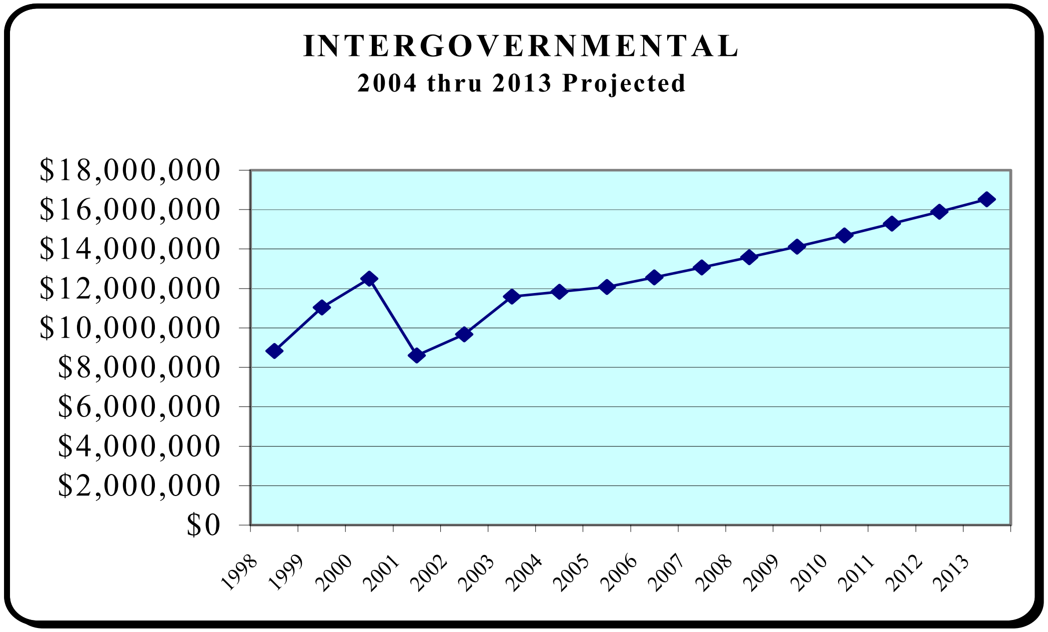
Portofino Shores planned communities. Unfortunately, agricultural property values are, at best, remaining level.

The Board of County Commissioners is continuing their efforts to alleviate the amount of taxes bourne by the property owners by encouraging environmentally friendly industries and retailers to locate within St. Lucie County. Their Job Incentive Program has been successful in attracting companies like Convergys, Liberty Medical, Home Shopping Network, and a new WalMart Distribution Center. Each entity has or will add a number of jobs that pay well above the average wage county residents have received in the past

Assumptions & Projections: The projections for Fiscal Years 2004 through 2013 reflect an anticipated annual growth in countywide taxable property valuations of 6.7% and an annual decrease in FPL taxable property values of 3%. It is assumed the taxable valuation of agricultural property will be level. This results in a projected annual increase in Ad Valorem revenues of 5.4% per year.   Most of this growth will occur within the first 5 years as the new developments are placed on the tax rolls.

Intergovernmental Revenue

Intergovernmental Revenues include Federal, State and Local grants, the Half-Cent Sales Tax, State Shared Revenue, and Gasoline Taxes (with the exception of those designated Local Option). For the purpose of this report, revenues received from the Half-Cent Sales Tax, State Shared Revenue and all Gasoline Taxes are reported in separate sections.



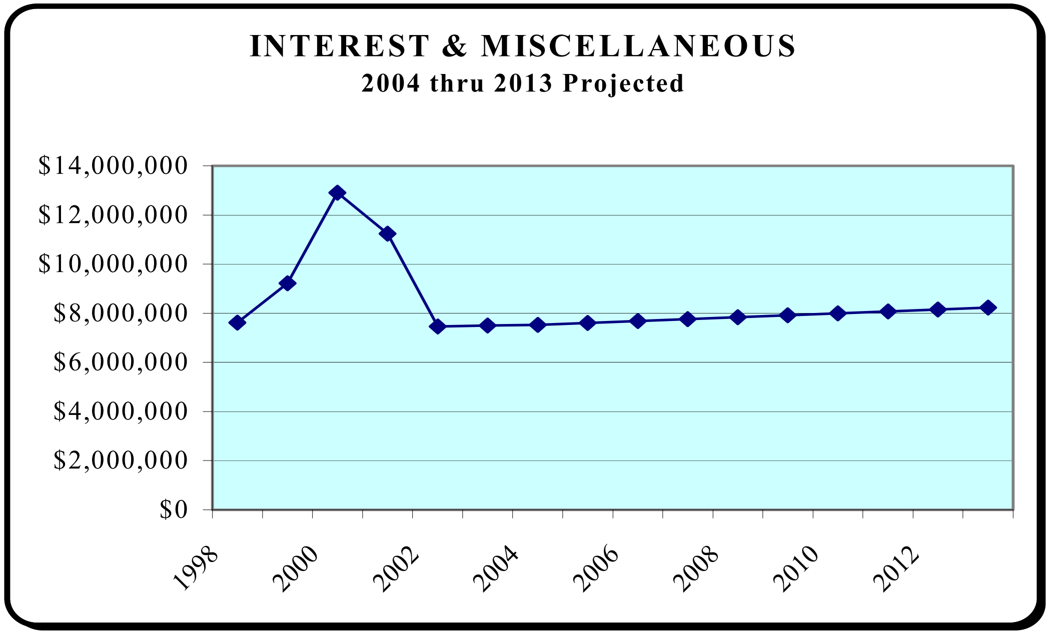
Discussion & Concerns: Although Revenues generated through grants has not been consistent year to year, they do show an upward trend. In Fiscal Year 1999, the

County authorized a new position specifically for a Grant Writer. As a result, grant revenue increased 53% between Fiscal Years 1998 and 2000. This success prompted the Board to approve another Grant Writer position beginning in Fiscal Year 2002. The Board experienced a decrease in this revenue in Fiscal Year 2001. This might have been due to the lackluster economy resulting in less grant funds available, however, last year this source increased by 19% and staff expects the program will continue to grow as the economy improves.

Assumptions & Projections: Staff expects the aggressive grant acquisition program generate a 2% annual increase in revenue for the next few years increasing to 4% beginning in Fiscal Year 2006.

Interest & Miscellaneous Revenue

This source of revenue is mainly comprised of earned interest, special assessments, (i.e. imposed to fund Municipal Services Benefit Unit projects) rent/lease agreement, reimbursements and concession receipts. Impact fees are normally considered a part of this classification of revenue, however , due to the fact that this source is not normally recognized until it is expensed staff has chosen not to include impact fees in this analysis.



Assumptions & Projections: Due to the erratic nature of this revenue source, it is impossible to accurately predict future income. In the interest of long-range planning, staff has prepared projections based on the following assumptions:

1) Interest rates will remain relatively level for the foreseeable future.

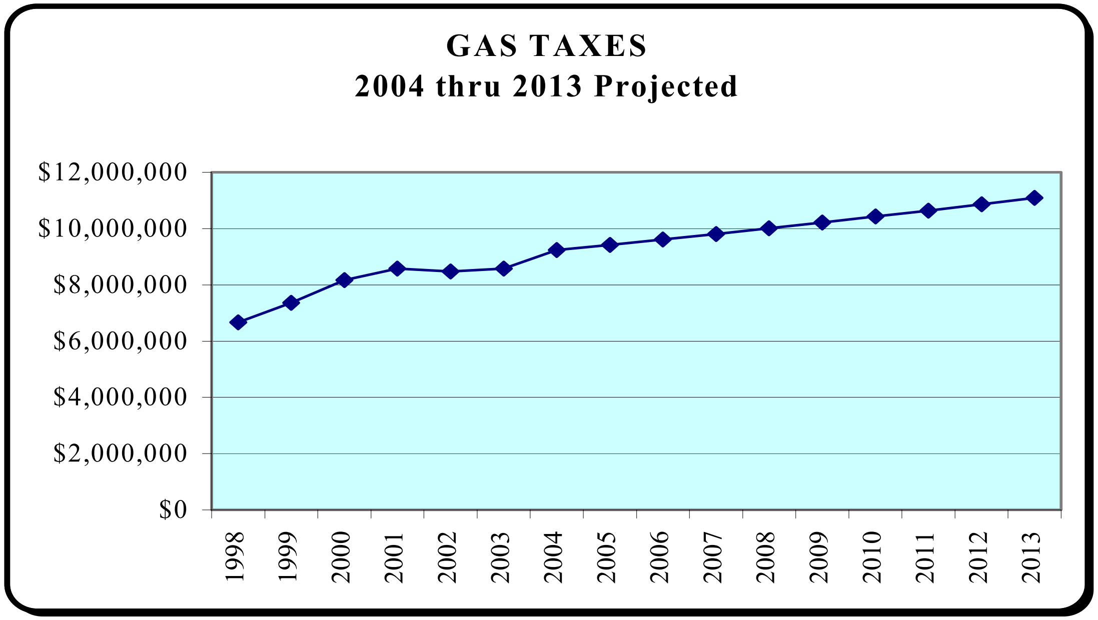
2) Departments, particularly Public Works, Central Services and Leisure Services, will begin spending more of the funds allocated to them for capital improvement projects.

3) This increased spending will reduce the amount of funds on deposit resulting in a further reduction in earned interest.

Based on the above assumptions, we project Interest and Miscellaneous Revenue income to remain level for the next three years followed by a 3% annual increase.

Gasoline Taxes

In addition to the Constitutional Gas Taxes and the County Gas Tax, local governments are authorized to levy up to 12 cents of local option fuel taxes in the form of three separate gas taxes. The first is a 1 to 6-Cent Local Option Gas Tax imposed on every gallon of motor and diesel fuel sold within the County. The second is a 1 to 5-Cent Local Option Gas Tax imposed on every gallon of motor fuel sold. The third is a tax of one-cent on every gallon of motor and diesel fuel sold. Revenue collected from the Local Option Gas Taxes is distributed between the County and the municipalities of Fort Pierce, Port St. Lucie and St. Lucie Village according to interlocal agreements which are based on a moving five-year accumulation of transportation related expenditures by each



entity.

Discussion & Concerns*:* Facing a shortage of revenue to fund needed infrastructure improvements, the St. Lucie County Board of County Commissioners voted to levy 2 of the allowable 5 cents beginning in Fiscal Year 1998. Revenue generated by this tax is being used to repair and replace deteriorating bridges within St. Lucie County. In Fiscal Year 2002 the Board voted to impose the additional 3 cent per gallon tax and expand the intended use to include all transportation related improvements (i.e. bike paths, sidewalks, drainage, mass transit).

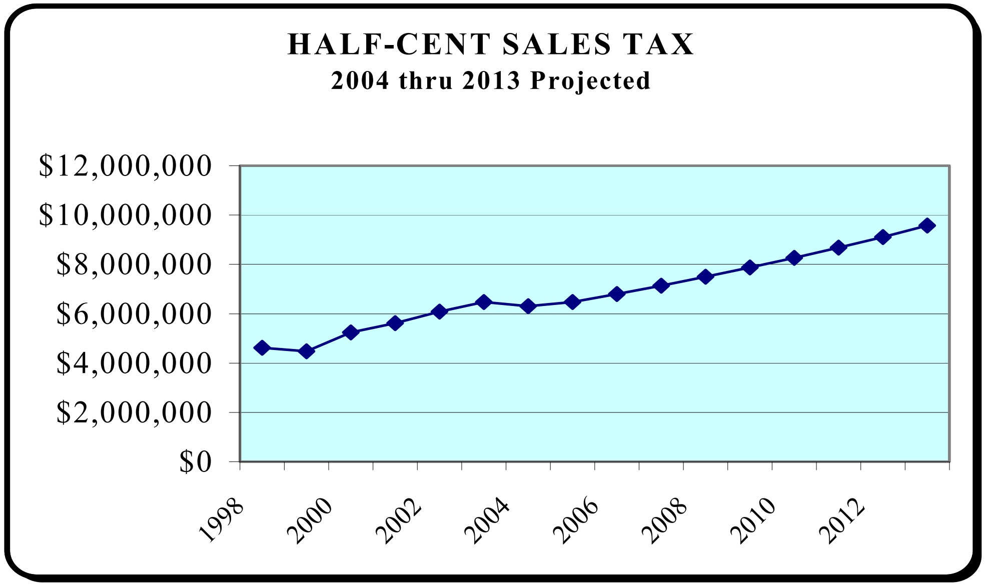
Total gas tax revenues have increased an average of 13.3% each year since 1993 and although that rate has decreased to 5.16% for the past five years, it must be noted that the Board imposed the additional "9th Cent" and an additional 5-Cents in Local Option Gas Taxes during that time.

The portion of Local Option Gas Tax revenues collected by the State and allocated to the County (approximately 48% of all gas tax revenue) has decreased 13.4% over the past five years as the cities of Port St. Lucie and Fort Pierce have increased their transportation related expenditures. This trend is expected to continue, particularly in light of the fact that the City of Port St. Lucie is making major infrastructure improvements in an attempt to facilitate the expanding population. The tourist industry in Florida has suffered significantly due the terrorist attacks of September 2001. This directly impacts the amount of gas tax revenues collected in the areas most heavily dependent on the tourist industry. Fortunately, St. Lucie County was not affected to the extent other counties were. In Fiscal Year 2002 total gas tax revenues decreased by only $100,000 and Fiscal Year 2003 revenues were at the same level as 2001.

Assumptions & Projections: After considering the expected reduction in Local Option Gas Tax revenue due to the allocation formula, staff is projecting an annual growth of 3% in total gas tax revenue.

Half-Cent Sales Tax

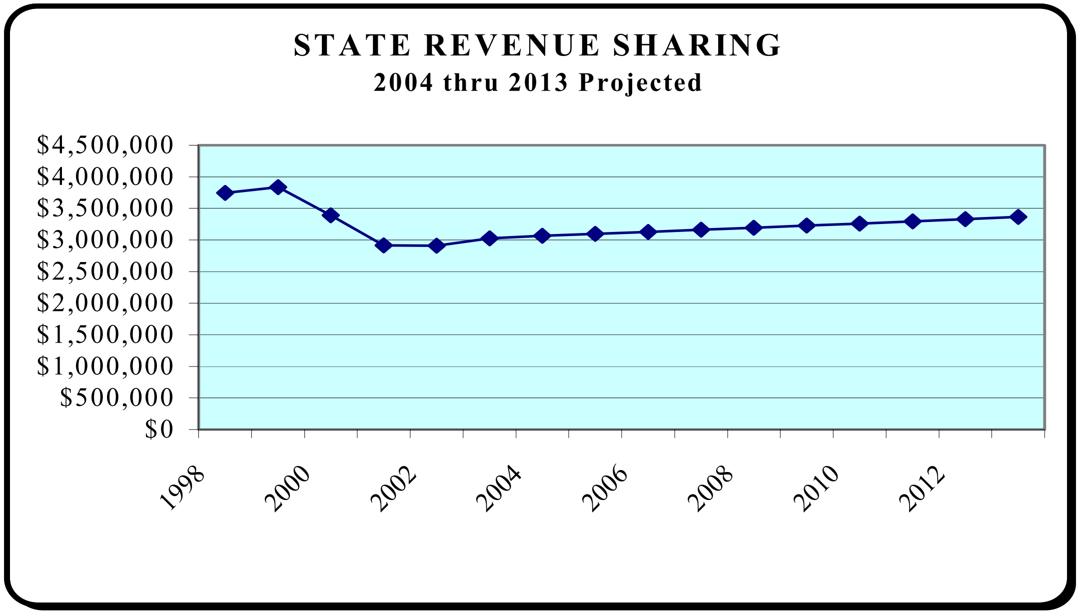
Local Governments receive a share of the State sales tax collections that is roughly equal to, and is referred to as, the "Half-Cent" Sales Tax. It generates the largest amount of revenue for local governments than any other of the State shared revenue programs. These revenues may be used for countywide programs. During the past two sessions, the Florida Legislature has reduced the State Intangibles Tax, which is the major source of the funds distributed to the counties. Realizing the impact this will have on the counties, the legislature has indicated they will replace the loss in revenue with an increase in sales tax revenue using a base year of 1999-2000 as the 'hold harmless' amount.



***Discussion & Concerns**:* The St. Lucie County Board of County commissioners have confronted serious economic issues. Indicative of these challenges is the fact that during the longest period of economic expansion in US history, the County's allocation of revenues from the Half-Cent Sales Tax only grew an average of 2% annually. A comparison between the total annual State distributions and the annual amount allocated to St. Lucie County from 1993 through 1999 reveals that total distributions from the State to the Counties grew 6.5% per year while the portion allocated to St. Lucie County grew an average of 3.4% per year. Even more alarming is the fact that during the years of 1997 and 1999 the portion allocated to St. Lucie County actually decreased. This has changed for the better. From 1993 through 2003, the distributions from the State grew 5.8% per year while the portion allocated to St. Lucie County kept pace, growing 5.4% per year.

Another concern is the unknown impact that Article V, Revision 7 will have on this source of revenue. The legislature has indicated that a portion of the Half Cent Sales Tax will be diverted to help fund the courts beginning this fiscal year. After the initial reduction the normal growth in this revenue will resume and be passed on to the counties.

Assumptions & Projections: The goal of attracting viable businesses to the area, raising the local economy to a level that will increase the discretionary income of county residents, and reducing the unemployment rate will take years to achieve. Having said that, it must be noted that he County has seen considerable improvement as a result of the increased emphasis on economic development. Revenues from the Half Cent Sales Tax program are almost equal to the amount distributed statewide. This could not be said four years ago. Additionally, the unemployment rate for St. Lucie County, while still high, is considerably lower. Over the past two years the economy has slowed considerably. While staff sees improvements in the second half of 2003, we are taking a conservative approach when budgeting anticipated revenue from the Half-Cent Sales Tax. For Fiscal Year 2004 we reduced the anticipated revenue by 2.7% and project Fiscal Year 2005 at the same level as 2003. Thereafter, staff projects a 5% annual increase

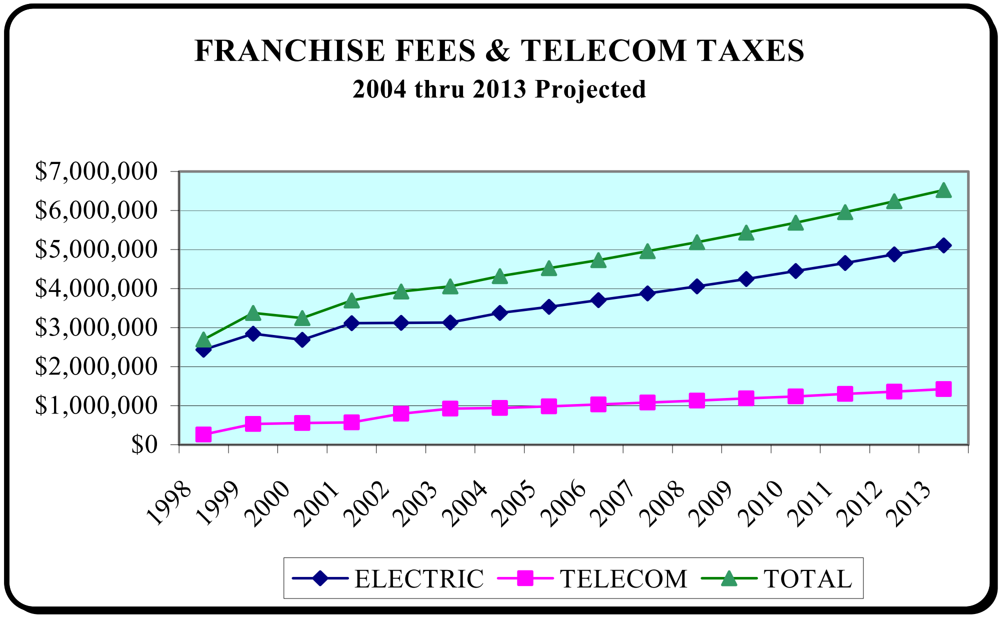


State Shared Revenue

The Florida State Department of Revenue uses an established formula to apportion to each eligible county a certain amount of revenue collected from cigarette and intangible taxes levied by the State. The formula is based on county population, unincorporated population, and county sales tax collections. Distributions are usually consistent from month to month with the exception of July when the State makes an annual adjustment based on the past fiscal year collections.

Discussion & Concerns*:* Beginning in Fiscal Year 1999 the State Legislature reduced the Intangibles Tax with the intent of eventually eliminating it. This was the main source of Shared Revenue receipts allocated to the counties. During the Fiscal Year 2000 session, legislators agreed to replace most of the lost revenue with an increase in State sales tax distributions using Fiscal Year 1999-2000 as the base year. Since Fiscal Year 1991, revenues from the State's "County Revenue Sharing Program" have averaged an annual growth rate of 4.4%. Recently, (between Fiscal Years 1998 and 2003), the growth rate has averaged negative 3.8%. This source of revenue might also be affected by the Article V, Revision 7 Constitutional Amendment.

Assumptions & Projections: Because St. Lucie County is one of the fastest growing areas in the State, staff anticipates a positive trend to resume next fiscal year, although at a lower rate. Staff predicts a slight increase in State Shared Revenue this fiscal year, followed by a 2% increase in Fiscal Year 2005 and a 4% increase thereafter.



Franchise and Privilege Fees The County negotiated agreements with the Florida Power and Light Company, the Fort Pierce Utilities Authority, Adelphia and A T&T Comcast Cable companies allowing each a non-exclusive franchise to operate facilities within County rights-of-ways in the unincorporated areas of the County. In consideration for the franchise, each entity has agreed to pay a fee. In the case of the electric companies this fee is remitted to the County. Fees charged to telecommunications related companies pay the fee to the State who then distributes the revenue to each respective county. This fee is an agreed upon percentage of their revenues, less actual write-offs, which are 'billed' to customers living within the unincorporated area of the County. Revenues generated through Franchise and Privilege Fees are used to fund projects primarily in the unincorporated area of the County designed to upgrade or expand facilities and infrastructure.

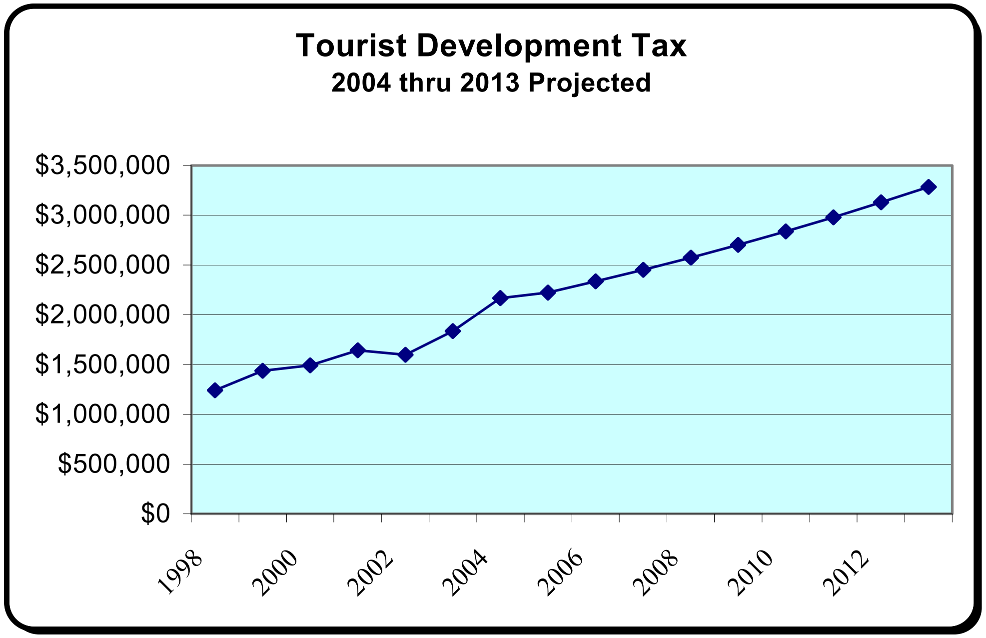
Discussion & Concerns*:* The Communications Services Tax Simplification Law, Chapter 00-260 Laws of Florida (the Communications Tax Law) combines current State and local taxes under a single law administered by the Florida Department of Revenue (DOR). Beginning October 1, 2001, all communication services will be taxed at the same rate. The Communications Tax Law repeals all State, county, and municipal taxes and fees on communications services and replaces them with a new, simplified communications services tax.

Assumptions & Projections: St. Lucie County began collecting Franchise and Privilege Fees in Fiscal Year 1998. Receipts from this source have grown significantly each year and considering the growth of St. Lucie County there is no reason to believe it will cease. The major contributors to this source are the electric companies but blending the three streams results in a projected 4.7% annual growth rate.

Tourist Development Tax

In 1984 the county's voters approved a referendum levying a two cent Tourist Development Tax. Revenue from these two cents are pledged to pay for the St. Lucie County Sports Complex operations and to the extent available, to pay for debt service on industrial revenue bonds issued to finance construction of the stadium complex. In 1987, the Board of County Commissioners adopted Ordinance No. 87-82 levying a third cent tourist development tax to promote and advertise tourism in St. Lucie County. By adopting Ordinance No. 97-14 in 1997, the Board levied a fourth cent for the express purpose of paying debt service on bonds issued to finance the renovation of the St. Lucie County Sports Complex. Earlier this year the Board approved Ordinance 03-12, levying a fifth cent for the purpose of paying debt service on bonds issued to finance improvements at the St. Lucie County Sports Complex and to pay for capital facilities that promote tourism at the St. Lucie County Fairgrounds and the area north of Midway Road.

***Discussion & Concerns**:* Generally, collections of the Tourist Development Tax have shown a positive trend and considering the fact that St. Lucie County is adding new attractions such as the St. Lucie Marine Center, which houses Smithsonian Marine Ecosystem Exhibit, a new Fairgrounds with an Equestrian Arena and the Oxbow (Children's) Environmental Learning Center we expect this to continue. In addition to new facilities, the county's aggressive 'Investment for the Future' program has resulted in improved access to the local beaches, construction of additional boat ramps and improvements to existing ones, all of which will attract additional visitors.



Assumptions & Projections: Since the Tourist Development Tax was approved in 1986 collections have averaged an annual increase of 7.2%. That rate has increased to an annual average of 10.87% over the past five years. Realizing that this source of revenue is highly correlated with the tourist industry and the State of the economy, staff anticipates the annual rate of change to increase as the economy improves. Staff projects Tourist Development Tax Revenues will increase by an average annual rate of 4%.